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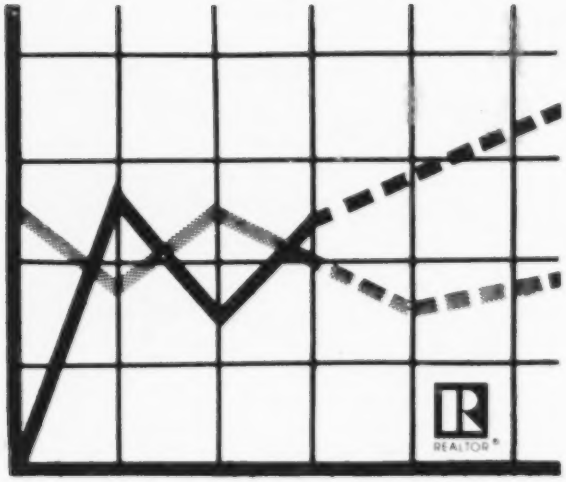
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



BY

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November 1979

OUTLOOK FOR THE ECONOMY AND REAL ESTATE

Misdirected Government Economic Policies

The Federal Reserve Board has both increased interest rates to all-time record levels and changed its method for fighting inflation by directly limiting growth of the money supply through rigid control of non-borrowed bank reserves. After the Federal government caused two-thirds of the acceleration of inflation from about 6 percent in 1976 to 13 percent during 1979, any government effort to fight inflation should be welcomed. However, the government is now both fighting inflation through the new Fed policy and offsetting that effort by adding to inflation with other policies. The President and the Congress have added to inflation by accelerating Federal spending and by increasing the size of inflationary deficits; and no attempt is being made to correct the bad mix of policy by slowing spending, shrinking inflationary deficits, increasing availability of some loanable funds and lowering interest rates modestly. The Congress is unable to set any, let alone anti-inflationary, spending and deficit targets for fiscal year 1980. The second concurrent budget resolution remains stalled in the Congress in clear violation of the 1974 Budget and Accounting Act. The President ignores inflation by accelerating spending and increasing quarterly deficits and fails to exercise his authority to slow spending by delaying expenditures or proposing rescission of spending authority.

Also, Federal regulations and other cost-push policies, such as air and water regulations and increases in social security taxes, are adding two percentage points to inflation. If both credit policies and deficit spending policies were to fight inflation, short-term interest rates would decline by at least two percentage points and mortgage interest rates decline by at least one percentage point.

The Federal government is also crippling investment in structures and equipment by record high and growing tax rates on profits-from-current-production or construction. Government taxes away 51 percent of corporate profits-from-current-production now compared with 45 percent in 1977 and is forecast to increase the tax rate during the quarters ahead. Bad tax policy coupled with imbalanced economic policy is stopping investment in structures and equipment, crippling productivity of all workers, slowing income and output growth, and adding to both short and longer run inflation.

American workers, business people, and consumers are experiencing an average recession with recovery expected by next summer. OPEC crude oil price increase is responsible for causing the recession to deepen and for two percentage points of the current inflation rate. After adjusting for the 11 percent inflation forecast for 1980, personal income, retail sales and investment should improve by mid-1980; exports and Federal, state, and local government spending will increase through the next 12 months while other sectors decline.

Real Estate

Tighter mortgage credit and higher interest rates are slowing real estate activity. Both short and long term interest rates should peak during the next 120 days, with short term rates for construction and other purposes declining several points. Mortgage rates should drift slowly downward but not much below 11 percent.

Sales rates of existing homes may slow to a low of 3.5 million units during some months until spring, or down 15 percent from peak 1978 levels, before recovery begins. Housing starts may drift to 1.5 million units or down 29 percent from 1978 levels before recovering to register 1.64 million starts in 1980. The decline in housing construction will be much less severe than in the last recession but activity will be short of the two million units needed annually to meet anticipated housing demand. Nonresidential construction will also experience declining activity beginning in the fourth quarter of this year and may not turn upward for 12 months.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

NOVEMBER 1979

	QUARTERS							YEARS			
	Actual			Forecast				Actual	Forecast		
	79:1	79:2	79:3	79:4	80:1	80:2	80:3	80:4	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,292	2,330	2,392	2,436	2,464	2,504	2,569	2,642	2,126	2,362	2,545	2,872
Percent Change	10.6	6.7	11.0	7.6	4.7	6.7	10.7	11.9	12.0	11.0	7.7	12.8
Percent Change (without Inflation)	1.1	-2.3	2.6	-1.5	-3.5	-1.8	1.9	2.7	4.4	2.0	-1.0	3.7
Consumption	0.6	-2.9	4.3	-1.2	0.4	-1.8	1.4	3.5	4.5	2.2	0.3	3.4
Residential Investment	-14.5	-6.8	-4.8	-3.3	-18.7	-12.4	-8.5	0.4	4.2	-6.1	-9.4	6.6
Nonresidential Investment	4.8	-0.8	3.6	-4.5	-8.5	-5.2	-4.3	1.9	8.4	5.0	-4.0	2.3
Structures	-5.6	19.0	5.3	-3.6	-8.0	-6.0	-4.4	2.1	12.2	8.3	-2.6	0.3
Equipment	10.1	-8.9	2.5	-4.6	-8.7	-4.7	-4.2	1.9	6.7	3.5	-4.7	3.3
Exports	11.7	-3.4	24.4	0.9	1.9	1.5	1.1	2.4	10.6	9.8	3.7	3.4
Imports	-3.9	12.1	0.8	-1.7	-1.0	-2.3	-0.1	4.6	11.1	4.3	0.1	5.0
Government Purchases	-1.9	-3.3	0.3	2.1	0.9	1.9	1.4	1.2	1.8	0.1	1.0	1.7
Residential Investment (percent of GNP)	4.0	4.0	3.9	3.9	3.7	3.6	3.5	3.5	4.3	4.0	3.6	3.7
Nonresidential Structures Investment (percent of GNP)	3.2	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.3	3.3	3.2
Inventory Change (billions of dollars)	19.1	33.4	20.0	13.0	-3.2	-5.3	3.6	4.4	22.3	21.4	-0.1	21.8
Mfg. Capacity Utilization Rate (percent)	87	86	85	84	81	80	79	80	84	85	80	82
Manufacturing Industrial Production (percent change)	4.6	-0.9	0.2	-4.2	-9.5	-5.3	-1.8	6.5	6.1	4.1	-4.1	6.0
Employment (millions)	96.6	96.4	97.2	97.1	96.7	96.5	96.8	97.1	94.4	96.8	96.7	98.5
Unemployment Rate (percent)	5.7	5.7	5.8	6.2	6.9	7.3	7.5	7.6	6.0	5.9	7.3	7.4
Real Personal Income (% change)	0.6	-0.3	0.8	0.4	-0.6	1.1	4.0	3.	5.0	2.6	0.9	3.5
Personal Income per Household	24,468	24,948	25,566	26,109	26,582	27,174	27,956	28,65	22,788	25,273	27,602	30,792
Producers Price Inflation (WPI)	14.6	13.4	13.6	11.4	9.9	10.0	10.4	10.8	7.8	12.1	11.0	10.9
Consumer Price Inflation (CPI)	11.1	13.6	13.7	12.6	10.8	10.1	10.2	9.5	7.7	11.3	11.3	9.6
Gross National Product Inflation (GNP Deflator)	9.3	9.3	8.4	9.3	8.5	8.6	8.7	9.0	7.3	8.9	8.8	8.8
Residential Construction Inflation	6.8	14.6	13.5	10.4	10.3	10.4	11.2	11.9	13.1	12.6	11.2	11.7
Nonresidential Construction Inflation	8.6	8.5	13.1	10.3	10.5	10.1	10.2	10.5	8.8	10.5	10.5	10.8
Compensation per Manhour (percent change)	10.7	7.8	8.6	10.0	11.5	10.5	10.2	10.5	9.1	9.2	10.2	10.3
Productivity (percent change)	-3.0	-4.0	0.7	-1.0	-3.3	-2.2	1.8	1.5	.1	-0.8	-1.3	1.8
Unit Labor Cost (percent change)	14.1	12.8	7.5	11.2	15.3	12.9	8.3	8.8	8.1	10.1	11.7	8.3
Total Real Private Nonresidential Construction (% change)	-5.9	39.5	3.8	-16.5	-14.3	-16.2	-10.5	-4.1	15.8	11.9	-8.8	-0.3
Commercial	-14.1	72.3	6.8	-13.8	-9.8	-10.5	-13.5	-2.6	15.4	12.6	-5.2	1.8
Industrial	11.5	10.6	2.6	-1.2	-4.9	-11.4	-8.1	-14.2	29.6	21.9	-4.7	-7.3
Other	-11.7	16.0	-3.3	-48.5	-46.7	-35.3	-3.1	21.9	-0.4	-6.5	-29.6	10.7
GOVERNMENT (Billions of Dollars, NIA)												
Federal Tax Receipts	475	486	506	508	516	521	535	550	43.	494	531	597
Federal Expenditures	487	493	515	533	544	559	583	597	460	507	571	637
Surplus or Deficit	-12	-7	-9	-24	-28	-38	-48	-47	-28	-13	-40	-40
HOUSING MARKETS (Thousands of Units)												
Existing Single-Family Home Sales	3,660	3,727	3,870	3,587	3,522	3,702	3,766	3,840	3,905	3,711	3,707	4,096
Percent Change - Year Ago	-0.8	-3.2	-2.2	-12.9	-5.6	-0.7	-2.7	7.1	9.3	-4.9	-0.1	10.5
Dollar Volume (billions)	221.0	239.4	257.0	245.3	245.2	270.6	285.9	293.4	216.7	240.7	273.8	331.5
New Single-Family Home Sales	752	767	806	654	610	622	648	696	817	728	644	818
Percent Change - Year Ago	-5.8	-15.2	-0.1	-21.6	-18.8	-12.0	-19.0	6.3	-0.5	-10.8	-11.6	27.0
Private Housing Starts	1,815	1,834	1,825	1,705	1,501	1,592	1,690	1,776	2,020	1,745	1,640	1,930
Single-Family	1,119	1,264	1,236	1,159	1,044	1,105	1,175	1,247	1,433	1,195	1,143	1,354
Multi-Family	696	570	589	546	458	488	515	529	587	550	497	575
Subsidized	215	220	225	215	225	240	255	265	145	219	246	270
Mobile Home Shipments	284	274	279	268	221	225	226	224	278	276	224	239
Housing Inventory (millions)	82.4	82.6	82.9	83.3	83.6	83.8	84.0	84.3	81.4	82.8	83.9	85.1
Rental Vacancy Rate (percent)	4.9	5.0	5.2	5.0	4.8	4.8	4.7	4.7	5.0	5.0	4.8	4.8
HOUSING PRICES (Thousands of Dollars)												
Median Price - Existing Homes	52.6	55.8	57.6	58.0	58.7	61.8	64.4	66.9	48.7	56.0	62.4	68.9
Percent Change - Year Ago	14.0	15.9	15.2	14.6	11.6	10.8	11.4	12.0	13.5	15.1	11.4	10.3
Median Price - New Homes	60.7	62.4	63.3	64.9	66.5	68.4	70.5	72.8	55.7	62.8	69.6	78.5
Percent Change - Year Ago	14.7	14.4	11.4	10.3	9.6	9.5	11.4	12.2	13.9	12.6	10.7	12.8
FINANCIAL MARKETS (Billions of Dollars)												
Total Time and Savings Deposits	1,199	1,210	1,237	1,255	1,264	1,266	1,273	1,286	1,125	1,224	1,272	1,350
Percent Change	9.3	3.9	7.9	7.0	3.2	0.5	2.1	4.3	11.7	8.8	3.9	6.1
Savings Rate (percent)	5.0	5.4	6.1	6.6	6.5	5.2	5.8	5.7	4.9	4.8	5.3	5.6
New Mortgage Commitments	124.4	135.6	129.2	125.0	94.9	80.4	93.8	112.8	135.3	128.6	95.5	127.6
Mortgage Debt Outstanding	1,205	1,236	1,274	1,307	1,323	1,335	1,349	1,370	1,113	1,255	1,344	1,496
Money Supply (M2) (% change)	1.8	9.0	12.5	8.9	3.4	1.2	3.1	4.7	8.6	7.5	5.4	6.4
INTEREST RATES (Percent)												
Existing Home Mortgages	10.40	10.62	11.09	12.05	12.24	12.01	11.89	11.72	9.58	11.04	11.97	11.44
New Home Mortgages	10.23	10.50	10.94	11.74	12.12	12.02	11.86	11.72	9.56	10.85	11.93	11.26
S&L Deposits	6.92	7.07	7.29	7.35	7.27	7.29	7.35	7.35	6.51	7.16	7.32	7.29
AAA Corporate Bonds	9.29	9.39	9.29	10.35	10.21	10.18	10.12	10.07	8.72	9.56	10.15	10.09
Prime Rate	11.75	11.72	12.12	15.30	14.79	14.06	13.13	12.17	9.06	12.72	13.54	11.47
Federal Funds	10.07	10.18	10.95	13.95	13.97	12.92	11.53	10.63	7.93	11.29	12.26	10.46
CORPORATE PROFITS (Billions of Dollars)												
Before Tax Profits	233	228	244	232	223	220	224	230	206	234	224	266
Corporate Tax Liability	91	89	95	91	88	86	87	90	85	92	88	101
After Tax Profits	142	139	148	140	136	134	137	141	122	143	137	165
Inventory Valuation Adjustment	-40	-37	-41	-39	-38	-40	-44	-46	-25	-39	-42	-52
Capital Consumption Adjustment	-15	-15	-16	-20	-23	-25	-28	-30	-13	-17	-27	-30
Profits from Current Production	88	88	90	82	75	69	65	64	83	87	68	83
Adjusted for Inflation	88	86	86	77	68	62	57	55	88	84	61	68
Percent Change	-16.8	-6.8	0.1	-37.4	-36.0	-33.8	-26.8	-11.8	0.2	-3.9	-27.8	12.0
Per Unit of Output (percent of GNP)	3.8	3.8	3.8	3.4	3.0	2.7	2.5	2.4	3.9	3.7	2.7	2.9
Effective Corporate Tax Rate (percent)	51	50	51	53	54	55	57	58	50	51	56	55

Source: Model developed by the Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions by Dr. Jack Carlson, Robert Boley, Kenneth Kerin, Frank Katusak, and Glenn Crellin.

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OUTLOOK FOR THE ECONOMY AND REAL ESTATE

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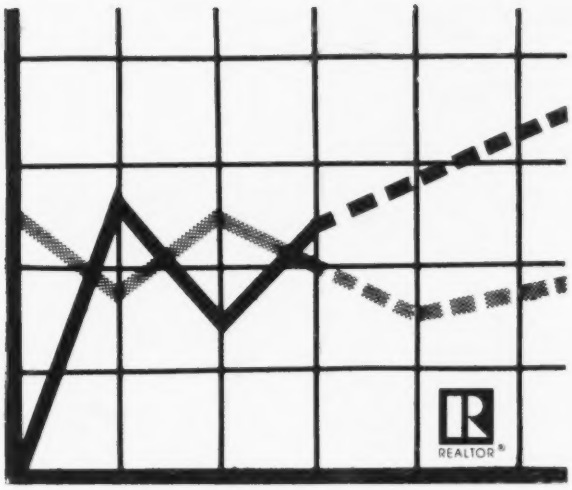

BY

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December 1979

UNITED STATES ECONOMIC AND REAL ESTATE OUTLOOK

The United States is slipping into an average recession. Business investment and inventory plans for 1980 are cautious, housing purchases and starts are slowing and consumers are purchasing fewer automobiles. Consequently, the nation's output of goods and services could decline 2 1/4 percent and industrial production alone could decline 5 percent from mid-1979 to mid-1980. Unemployment could increase from 6 percent to 8 percent and industrial capacity utilization could decline from 86 percent to 79 percent over this period. Recovery should occur during the second half of 1980 and accelerate during 1981.

The unelected Federal Reserve Board is restraining inflation and investment growth by tight credit policies while the elected President and the elected Congress are stimulating consumption and potential inflation by high rates of Federal spending resulting in increasing quarterly and annual deficits. Also, government cost-push policies such as increases in costly regulations and the prospect of further increases in world oil prices foretell inflation at double-digit rates through 1980.

Wages are likely to increase as workers attempt to catch up with current and past inflation rates. Productivity will decline during the recession and grow slowly during 1981, much less than during past recoveries, and thus add to longer run inflation. Business profits from current production are expected to continue to decline causing less investment in productivity-increasing structures and equipment.

The peak in interest rates may have been reached or will occur within the next 60 days. Both because the Federal Reserve policies may continue to restrain inflation more responsibly during the next recovery and because of the recent ratchet up of interest rates to record levels, interest rates are not likely to decline below double-digit levels during the next few years.

Iranian Cloud

The Iran crisis could result in a cut-off of 2 to 3 million barrels of crude oil per day, or between 4 and 6 percent of the world's crude oil supplies, which in turn could cause world crude oil prices to increase by 50 to 75 percent during 1980 and 1981. This increase in oil prices might boost consumer inflation by 2 percent and cause short term interest rates to rise by over one percentage point, reducing the growth of national output in the United States by as much as 1 1/2 percent each year and lowering employment by more than 1 million jobs over the next two years. As a result, business investment might decline by 10 percent and residential investment by 15 percent during the period, equivalent to 300,000 fewer housing starts and completions and as many as 500,000 fewer home sales by 1981.

Residential Real Estate

Resales of single-family homes have remained high during 1979 and will achieve a near record, second only to 1978. Sales of existing homes will top 3.7 million this year compared to 3.9 million in 1978. However, resales will decline to a 3 1/2 million unit rate during the next 6 to 9 months because of higher interest rates before returning to 3 3/4 million rate by the end of 1980 and a new record in 1981.

Housing starts are particularly affected by higher interest rates and less available mortgage funds and can be expected to slip to a 1.5 million unit rate during the next 6 to 9 months before improving and reaching 1.9 million units in 1981.

Home prices will increase more slowly during 1980 and 1981 and only match the overall rate of inflation, instead of exceeding it as had been the experience during the last 10 years. The combination of a record increase in mortgage interest rates (10 percent in October 1978 and 11 1/2 percent in October 1979) and increases in the price of the median priced home from $50,100 in October 1978 to $56,300 in October 1979 have caused monthly payments of principal and interest (90 percent mortgage) to increase from $396 to $502 or by 27 percent since a year ago. During the next 12 months the monthly payment could increase again to $585 or by 9 percent, less than the forecast rate of inflation.

Both the historically small number of new but unsold homes and low vacancy rate in apartments indicate a forthcoming shortage of housing. Forecast starts and completions of new homes fall short of the underlying demand for at least 2 million new units each year during 1980 and 1981.

Commercial and Industrial Real Estate

High interest rates, limited supply of loanable funds and declining profits from current production will cause a decline in new investment and sales of existing commercial and industrial structures and equipment during 1980. Tax relief to reduce the near-record 53 percent effective corporate tax rate on profits-from-current-production forecast during 1980 would encourage both construction and sales of commercial and industrial capital. Liberalization of depreciation allowance and tax relief to encourage savings would help.

Farm Real Estate

Prices for agricultural produce and products are forecast to grow slower than inflation, causing the value of farm output and income to decline after adjusting for inflation. This, along with high interest rates and a limited supply of loanable funds, will cause investment in farm structures and land improvements to grow more slowly during the next year or two. Real estate values are likely to grow more slowly than in recent years, particularly after adjusting for inflation. Farm debt may increase more rapidly than assets. However, drought and disappointing harvests elsewhere in the world, such as already identified in Australia, could change this outlook.

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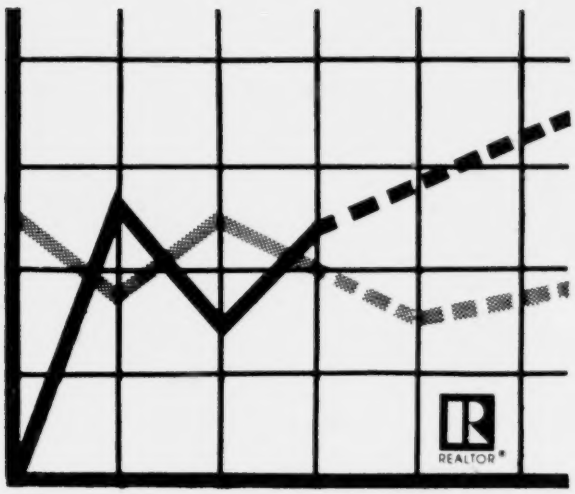
	QUARTERS								YEARS			
	Actual			Forecast					Actual	Forecast		
	79:1	79:2	79:3	79:4	80:1	80:2	80:3	80:4	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,292	2,330	2,395	2,439	2,463	2,502	2,567	2,640	2,128	2,364	2,543	2,879
Percent Change	10.6	6.7	11.7	7.4	4.1	6.5	10.9	11.8	12.0	11.1	7.6	13.2
Percent Change (without inflation)	1.1	-2.3	3.4	-2.5	-4.3	-2.0	2.0	2.5	4.4	2.1	-1.3	4.2
Consumption	0.6	-2.9	4.8	-2.8	-1.6	-0.6	1.1	2.6	4.5	2.2	-0.3	3.8
Residential Investment	-14.5	-6.8	-0.7	-7.0	-15.2	-22.3	-4.9	8.3	4.2	-5.8	-10.3	11.5
Nonresidential Investment	4.8	-0.8	11.6	-7.5	-6.9	-7.0	-5.3	-1.4	8.4	5.8	-4.0	1.8
Structures	-5.6	19.0	7.0	-0.5	-7.9	-9.9	-9.0	-4.7	12.2	8.8	-3.6	-3.0
Equipment	10.1	-8.9	14.0	-10.7	-6.5	-5.5	-3.5	0.2	6.7	4.5	-4.2	4.1
Exports	11.7	-3.4	22.8	1.4	2.4	0.4	1.3	3.5	10.6	9.6	3.7	3.4
Imports	-3.9	12.1	-1.9	1.3	-1.1	-3.2	-3.2	-2.5	11.1	4.1	-0.7	2.7
Government Purchases	-1.9	-3.3	1.3	3.1	1.5	0.5	0.8	0.4	1.8	0.3	1.1	2.2
Residential Investment (percent of GNP)	4.0	4.0	3.9	3.9	3.8	3.6	3.5	3.6	4.3	4.0	3.6	3.9
Nonresidential Structures Investment (percent of GNP)	3.2	3.4	3.4	3.4	3.4	3.3	3.2	3.2	3.1	3.3	3.3	3.0
Inventory Change (billions of dollars)	19.1	33.4	15.3	13.2	-3.0	-5.1	4.8	5.4	22.3	20.3	0.5	16.6
Mfg. Capacity Utilization Rate (percent)	87	86	85	83	81	79	79	79	84	85	80	82
Manufacturing Industrial Production (percent change)	4.6	-0.9	0.5	-6.4	-7.9	-7.2	1.3	3.2	6.1	4.0	-4.2	6.5
Employment (millions)	96.6	96.4	97.2	97.2	96.9	96.6	96.5	96.6	94.4	96.8	96.7	98.2
Unemployment Rate (percent)	5.7	5.7	5.8	6.2	6.7	7.2	7.7	8.1	6.0	5.9	7.4	7.7
Real Personal Income (% change)	0.6	-0.3	2.1	-1.2	-2.6	0.3	3.4	2.5	5.0	2.7	0.0	3.7
Personal Income per Household	24,488	24,948	25,599	26,113	26,478	27,028	27,785	28,469	22,788	25,282	27,440	30,597
Producers Price Inflation (WPI)	14.6	13.6	13.4	17.9	11.6	10.3	10.4	10.6	7.8	12.6	12.6	10.6
Farm Products	30.9	7.1	-2.5	1.6	6.5	7.8	8.7	9.2	10.4	13.4	5.1	8.5
Consumer Price Inflation (CPI)	11.1	13.6	12.9	13.8	11.4	10.6	10.1	10.0	7.7	11.3	11.7	9.9
Residential Construction Inflation (GNP Deflator)	6.8	14.6	14.3	11.4	11.7	11.9	11.0	11.4	13.1	12.7	12.0	11.2
Nonresidential Construction Inflation (GNP Deflator)	8.6	8.5	13.8	11.1	11.0	10.4	10.2	10.5	8.8	10.6	10.9	10.3
Compensation per Manhour (percent change)	10.5	7.9	8.1	9.5	10.6	10.0	10.5	10.2	8.5	8.9	9.8	10.2
Productivity (percent change)	-3.4	-4.1	0.3	-0.2	-1.5	-0.2	1.7	1.7	0.5	-1.0	-0.3	2.3
Unit Labor Cost (percent change)	14.1	12.4	8.0	9.6	12.3	10.2	8.6	8.4	8.0	10.0	10.1	7.7
Federal Tax Receipts (NIA basis)	475	486	505	518	515	523	539	552	432	496	532	597
Federal Expenditures (NIA basis)	487	493	517	534	549	563	586	603	460	508	575	647
Surplus or Deficit (NIA basis)	-12	-7	-11	-16	-34	-41	-47	-51	-28	-12	-43	-50
Total Real Private Nonresidential Construction (% change)	-5.9	39.7	8.9	-20.3	-16.3	-17.9	-15.1	-9.0	15.8	12.2	-11.2	-5.0
Commercial	-14.1	72.3	26.3	-24.0	-18.6	-21.4	-20.4	-8.9	15.4	14.2	-11.3	-4.8
Industrial	11.5	10.6	-12.4	2.2	1.7	-7.4	-9.8	-15.2	29.6	19.8	-3.8	-8.9
Other	-11.7	16.9	1.8	-43.7	-41.6	-28.7	-6.7	9.2	-0.4	-5.3	-25.7	4.6
Real Gross Domestic Product - Farm (percent change)	2.4	22.0	-2.3	-16.7	-14.1	-10.1	-6.1	-3.9	-0.5	0.0	-8.9	-1.8
Proprietors' Income - Farm (percent change)	30.4	-13.7	-34.5	-55.9	-35.1	-21.4	-17.8	-4.4	31.4	3.7	-33.2	-1.6
Farm Assets (billions of dollars)	777.3	804.0	833.6	863.9	894.8	926.3	958.9	992.2	713.0	819.7	943.0	1,081.8
Farm Real Estate Debt (billions of dollars)	68.8	71.0	73.4	75.9	78.5	81.3	84.2	87.2	63.7	72.3	82.8	95.3
HOUSING MARKETS (Thousands of Units)												
Existing Single-Family Home Sales	3,660	3,727	3,877	3,782	3,502	3,676	3,734	3,788	3,905	3,761	3,675	4,072
Percent Change - Year Ago	-0.8	-3.2	-2.0	-8.1	-4.3	-1.4	-3.7	0.2	9.3	-3.6	-2.3	10.8
Dollar Volume (billions)	221.0	239.4	257.0	253.1	235.9	262.3	275.1	284.9	216.7	242.7	264.5	325.9
New Single-Family Home Sales	752	706	766	664	645	628	644	694	817	722	653	779
Percent Change - Year Ago	-5.8	-15.3	-4.4	-20.5	-14.3	-11.0	-15.9	4.5	-0.5	-11.6	-9.6	19.4
Private Housing Starts	1,615	1,834	1,831	1,707	1,509	1,451	1,553	1,690	2,020	1,747	1,551	1,884
Single-Family	1,119	1,264	1,238	1,151	1,020	982	1,050	1,151	1,433	1,193	1,051	1,293
Multi-Family	496	570	593	557	489	469	503	540	587	554	500	591
Subsidized	215	220	225	215	225	240	255	265	145	219	246	270
Mobile Home Shipments	284	274	276	268	236	225	224	223	278	276	227	238
Housing Inventory (millions)	82.4	82.6	82.9	83.3	83.6	83.8	84.0	84.2	81.4	82.8	83.9	85.0
Rental Vacancy Rate (percent)	4.8	5.0	5.2	5.0	4.9	5.1	5.2	5.2	5.0	5.0	5.1	5.1
Median Price - Existing Homes (thousands of dollars)	52.6	55.8	57.6	57.9	58.1	61.4	63.3	64.6	48.7	56.0	61.8	68.6
Percent Change - Year Ago	14.0	15.9	15.3	14.5	10.5	10.1	9.9	11.5	13.5	15.0	10.5	10.9
Median Price - New Homes (thousands of dollars)	60.7	62.5	65.9	67.7	69.3	70.9	72.5	74.3	55.7	64.2	71.7	79.8
Percent Change - Year Ago	14.7	14.4	15.9	15.1	14.1	13.5	10.0	9.8	13.9	15.0	11.8	11.2
FINANCIAL MARKETS (Billions of Dollars)												
Total Time and Savings Deposits (% change)	9.3	3.9	7.9	8.9	4.9	2.5	3.3	6.5	11.7	9.0	5.4	6.7
Savings Rate (percent)	5.0	5.4	4.3	4.3	4.6	4.8	5.1	5.1	4.9	4.7	4.9	5.2
New Mortgage Commitments	121.3	132.3	129.2	130.0	108.0	93.7	119.9	135.2	136.3	128.2	114.2	165.3
Mortgage Debt Outstanding	1,205	1,234	1,274	1,309	1,332	1,352	1,379	1,409	1,113	1,255	1,368	1,496
Money Supply (M2) (% change)	1.8	9.0	12.5	9.6	4.2	2.9	3.6	6.4	8.6	7.5	6.3	6.0
INTEREST RATES (Percent)												
Existing Home Mortgages	10.40	10.62	11.09	11.84	12.01	12.00	11.78	11.70	9.58	10.99	11.87	11.21
New Home Mortgages	10.23	10.50	10.94	11.62	12.14	12.11	11.98	11.87	9.54	10.82	12.03	11.50
S&L Deposits	6.92	7.07	7.29	7.34	7.26	7.26	7.31	7.35	6.51	7.16	7.29	7.29
AAA Corporate Bonds	9.29	9.39	9.29	10.61	10.46	10.39	10.26	10.15	8.72	9.65	10.32	9.93
Prime Rate	11.75	11.72	12.12	15.28	14.78	13.77	12.62	11.84	9.06	12.72	13.25	11.37
Federal Funds	10.07	10.18	10.95	13.57	13.03	11.48	10.70	10.00	7.93	11.19	11.30	9.91
CORPORATE PROFITS (Billions of Dollars)												
Before Tax Profits	233	228	243	238	226	222	228	235	206	235	228	261
Corporate Tax Liability	91	89	95	92	87	85	85	88	85	92	86	98
After Tax Profits	142	139	148	145	139	137	143	147	122	144	142	164
Inventory Valuation Adjustment	-40	-37	-44	-47	-44	-43	-40	-42	-25	-42	-42	-46
Capital Consumption Adjustment	-15	-15	-18	-19	-20	-22	-24	-26	-13	-16	-23	-27
Profits from Current Production	88	88	86	79	75	72	79	79	83	85	76	91
Adjusted for Inflation (79:1 base)	88	86	83	74	69	64	70	68	88	83	68	74
Percent Change	-16.8	-6.8	-14.4	-35.8	-24.7	-24.5	36.6	-6.8	0.2	-5.6	-17.9	9.8
Per Unit of Output (percent of GNP)	3.8	3.8	3.6	3.2	3.1	2.9	3.1	3.0	3.9	3.6	3.0	3.2
Effective Corporate Tax Rate (percent)	51	50	52	54	54	54	52	52	50	52	53	52

Source: Model developed by the Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Robert Boley, Kenneth Kerin, Frank Katusak, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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January 1980

UNITED STATES ECONOMIC AND REAL ESTATE OUTLOOK

The steep increase in energy costs last year and the tight monetary stance adopted by the Federal Reserve Board will push the United States into an average recession in 1980, with national output declining 2 1/4 percent from Fall 1979 to mid-1980, recovering in the second half of 1980. Strong growth should continue through 1981, with national output expected to increase by 3.4 percent.

The weakening of the economy early this year, already evident in the recent declines in housing starts and auto sales, will lead to an increase in the unemployment rate, peaking near 8 percent just in time for this year's November elections.

Wage increases will accelerate during the next two years as workers attempt to catch up with past inflation, putting further pressure on prices. The forecast decline in output per work hour (productivity) during the 1980 downturn will also add to inflation. Along with energy price increases, those pressures will be the primary cause of continuing high price inflation at 12 percent this year. Only modest improvement in productivity and slower growth in energy prices in 1981 is likely to allow consumer price inflation to slip to 10.7 percent.

Although some interest rates may ease slightly from previous peaks, a continuation of the Federal Reserve Board's tight credit policies and the 12 percent rate of inflation will keep interest rates at around current levels until the second half of the year. Mortgage rates for new commitments are expected to peak at just over 13 percent in the first 3 months of this year before easing to around 12 percent at year's end.

Impact of OPEC Crude Oil Price Increases

The future course of energy prices and supplies dominate both the short run and long run outlook for the economy. The United States has not yet felt the full impact of the more than doubling of OPEC oil prices in 1979 and the threat of even higher prices late in 1980 and 1981. The oil price increases announced during 1979 will alone dramatically slow economic activity during 1980, with U.S. output 2 percentage points lower, insuring a recession, and consumer prices 2 1/2 percent higher, insuring double-digit inflation. The housing and construction sectors will bear the disproportionate share of this impact. The higher inflation caused by OPEC oil price increases has caused mortgage rates to increase by more than 1 percentage point and is expected to reduce new housing starts by 250,000 units in 1980, or by 15 percent below what they would otherwise have been. Sales of existing homes will be 350,000 units lower as a result of OPEC price increases, representing 10 percent of this year's total. Construction of commercial structures will be down 8 percent and industrial structures down 2 percent due to OPEC price increases.

Impact of the "Windfall Profits" Tax (a new Federal Sales Tax on Domestic Oil)

Solutions to the overdependence of the U.S. on imported oil require long run policies to increase domestic energy supplies and encourage conservation.

Unfortunately, necessary actions to decontrol domestic oil prices and encourage conservation through tax credits to residential and industrial energy users will be more than offset by the proposed "windfall profits" tax on domestic oil production. This new sales tax on domestic oil producers will reduce domestic production nearly 1,000,000 barrels per day by the end of the decade. This represents 5 percent of current usage, equivalent to about 168 gallons of home heating fuel or gasoline enough to drive over 4,000 miles each year. This reduction in domestic production will increase oil imports and encourage greater dependence on foreign suppliers. As a result, world oil prices are likely to be as much as 20 percent higher and all consumer prices up by nearly 1 percent. Business investment will be 3 percent lower, housing starts reduced by 100,000 units and sales of existing homes reduced by nearly 200,000 due to the tax.

Residential Real Estate

Despite the marked weakening of resales of single-family homes during the last 2 months of 1979, sales will top 3.7 million units this year. However, with mortgage interest rates above 12 percent and the economy in a recession, further declines in resale activity can be anticipated during the next several months before a modest recovery in mid-1980. Resales of existing homes are likely to average only 3.5 million units this year before recovering to 3.9 million units in 1981, slightly above the record level achieved in 1978.

New housing starts have already declined as a result of the tight credit stance of the Federal Reserve Board, falling to a seasonally adjusted annual rate of 1.52 million units in November. Starts are likely to fall even further during the first 6 months of this year, averaging only 1.4 million units before improving to 1.6 million units during the second half of 1980.

High interest rates and the depressed state of the housing market should reduce the rate of increase of home prices this year to slightly under the overall rate of inflation. Existing home prices are forecast to increase 11 percent this year, significantly less than the 14.3 percent gain in 1979. Continued double-digit inflation and a modest recovery in housing demand should result in a slightly greater increase (12 percent) in 1981.

Despite the dip in housing sales and starts, the longer run outlook remains bright. An increase in the number of new households over the next 6 years will generate a substantial demand for new housing.

Commercial and Industrial Real Estate

Business investment in non-residential structures has not been affected as quickly by the recent tight monetary policies as housing construction, but a marked slowing of growth rates from the very high levels achieved during the first 9 months of 1979 is already evident.

The delayed reaction to higher interest rates together with the marked decline in profits from current production expected this year should cause non-residential construction to downturn starting in the second quarter of this year with a recovery delayed until mid-1981. Overall, investment in non-residential structures is likely to fall by 0.5 percent this year and another 2 percent in 1981, compared with the 8.9 percent growth achieved last year.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

JANUARY 1980

	QUARTERS								YEARS			
	Actual	Forecast							Actual	Forecast		
	79:3	79:4	80:1	80:2	80:3	80:4	81:1	81:2	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,396	2,460	2,497	2,536	2,599	2,676	2,765	2,864	2,128	2,370	2,577	2,927
Percent Change	11.9	11.0	6.2	6.4	10.2	12.4	14.1	15.1	12.0	11.4	8.7	13.6
Percent Change (without inflation)	3.1	0.0	-3.3	-3.5	0.1	2.1	4.4	5.4	4.4	2.2	-1.1	3.4
Consumption	4.9	0.3	-1.5	-1.7	-0.3	1.5	3.9	5.2	4.5	2.4	-0.2	3.2
Residential Investment	-1.4	-13.0	-25.2	-24.0	5.3	20.5	31.3	25.2	4.2	-6.3	-12.9	17.9
Nonresidential Investment	10.8	1.3	-0.9	-5.3	-5.6	-4.8	2.9	5.1	8.4	6.3	-0.8	0.9
Structures	7.1	1.0	0.0	-5.8	-7.7	-8.2	-1.0	1.8	12.2	8.9	-0.5	-2.0
Equipment	12.3	1.9	-1.3	-5.1	-4.7	-3.2	4.7	6.7	6.7	5.2	-0.9	2.3
Exports	23.2	5.5	-1.2	-0.2	-0.3	1.9	4.6	5.7	10.6	10.0	3.2	3.6
Imports	-3.1	2.7	-1.1	-1.9	-0.9	1.6	5.2	6.7	11.1	4.1	0.2	4.0
Government Purchases	1.0	2.5	0.5	0.1	0.0	0.3	0.6	1.0	1.8	0.2	0.5	0.6
Residential Investment (percent of GNP)	3.9	3.8	3.6	3.4	3.4	3.5	3.8	3.9	4.3	3.9	3.5	4.0
Nonresidential Structures Investment (percent of GNP)	3.4	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.3	3.4	3.2
Inventory Change (billions of dollars)	14.5	10.1	4.0	-4.0	-0.4	4.8	7.7	10.9	22.3	19.3	1.1	14.1
Mfg. Capacity Utilization Rate (percent)	85	84	82	80	79	79	80	82	84	86	80	82
Manufacturing Industrial Production (percent change)	0.5	-1.1	-5.4	-8.8	-1.1	2.7	7.7	11.1	6.1	4.4	-3.2	5.7
Employment (millions)	97.2	97.5	97.1	96.7	96.6	96.8	97.4	97.9	94.4	96.9	96.8	98.4
Unemployment Rate (percent)	5.8	6.0	6.7	7.3	7.7	7.9	7.8	7.7	6.0	5.8	7.4	7.6
Real Personal Income (% change)	2.0	-0.7	-2.4	-1.0	1.8	2.0	3.0	4.9	5.0	2.7	-0.4	3.3
Personal Income per Household (average)	25,577	26,236	26,742	27,317	28,058	28,772	29,528	30,458	22,766	25,294	27,722	31,071
Producers Price Inflation (WPI)	13.6	19.9	14.0	13.0	12.9	12.3	11.8	11.9	7.8	12.7	14.5	12.3
Consumer Price Inflation (CPI)	12.9	13.9	12.3	10.8	10.3	10.1	10.3	10.6	7.7	11.3	12.1	10.7
Gross National Product Inflation (GNP Deflator)	8.5	11.0	9.8	10.3	10.1	10.0	9.2	9.2	7.3	9.0	10.0	9.8
Residential Construction Inflation	14.0	11.7	11.3	11.0	12.1	12.7	12.3	12.6	13.1	12.7	12.0	12.6
Nonresidential Construction Inflation	13.5	13.2	13.1	12.2	11.9	11.7	11.1	11.8	8.8	10.7	12.5	12.0
Compensation per Manhour (percent change)	8.4	9.1	11.1	10.6	10.7	10.3	10.2	11.4	8.5	8.9	10.0	11.2
Productivity (percent change)	-0.7	-0.6	-1.7	-2.3	-0.4	0.8	2.0	2.2	0.5	-1.1	-1.3	1.3
Unit Labor Cost (percent change)	9.4	9.6	13.0	13.0	11.0	9.2	8.0	9.0	8.0	10.2	11.4	9.7
Before Tax Corporate Profits (billions of dollars)	242	255	245	228	229	231	244	255	206	240	233	262
Corporate Tax Liability	94	99	95	88	89	87	92	96	85	93	90	99
After Tax Profits	148	156	150	139	139	144	152	159	122	146	143	163
Inventory Valuation Adjustment	-44	-56	-50	-51	-51	-50	-50	-51	-25	-44	-51	-53
Capital Consumption Adjustment	-18	-20	-22	-24	-27	-25	-28	-31	-13	-17	-24	-33
Profits from Current Production	87	80	78	64	61	68	74	77	83	86	68	77
Adjusted for Inflation (79:3 base)	87	78	74	60	55	61	64	65	91	86	63	65
Percent Change - Year Ago	-9.4	-18.8	-18.6	-33.4	-36.2	-22.1	-14.3	9.0	0.2	-5.4	-27.7	3.2
Per Unit of Output (percent of GNP)	3.6	3.2	3.1	2.5	2.3	2.6	2.7	2.7	3.9	3.6	2.6	2.6
Effective Corporate Tax Rate (percent)	52	55	55	58	59	56	56	56	50	52	57	56
Federal Tax Receipts (NIA basis)	505	527	527	532	552	554	568	593	432	498	541	609
Federal Expenditures (NIA basis)	516	533	548	564	586	603	618	633	460	507	575	646
Surplus or Deficit (NIA basis) <1>	-11	-6	-20	-32	-34	-49	-49	-40	-28	-9	-34	-37
HOUSING MARKETS												
Existing Single-Family Home Sales (thousands)	3,877	3,688	3,475	3,499	3,561	3,641	3,804	3,891	3,905	3,73.	,544	3,932
Percent Change - Year Ago	-2.0	-10.4	-5.1	-6.1	-8.1	-1.3	9.5	11.2	9.3	-4.2	-5.2	10.9
Dollar Volume (billions)	257.3	241.1	235.4	249.7	263.9	270.8	289.6	312.9	216.7	239.7	254.9	319..
New Single-Family Home Sales (thousands)	757	671	634	635	686	720	759	761	817	722	664	773
Percent Change - Year Ago	-5.5	-19.6	-15.7	-10.1	-12.1	7.2	19.7	19.9	-0.5	-11.7	-8.0	16.5
Private Housing Starts (thousands)	1,834	1,565	1,439	1,326	1,527	1,625	1,824	1,918	2,020	1,712	1,479	1,926
Single-Family	1,238	1,014	960	918	1,056	1,128	1,239	1,301	1,433	1,159	1,016	1,309
Multi-Family	596	552	479	408	471	496	586	617	587	554	464	617
Subsidized	225	215	225	240	255	265	270	275	145	219	246	270
Mobile Home Shipments (thousands)	276	273	238	211	214	214	236	242	278	277	219	246
Housing Inventory (millions)	82.9	83.3	83.5	83.7	83.9	84.2	84.4	84.7	81.4	82.8	83.8	84.9
Rental Vacancy Rate (percent)	5.2	5.0	5.2	5.4	5.5	5.5	5.5	5.5	5.0	5.0	5.4	5.4
Unsold New Homes (percent of sales)	56.1	58.1	68.5	70.5	70.7	70.8	66.0	64.4	50.1	56.9	70.1	64.5
Existing Home Prices - Median (thousands of dollars)	57.6	56.5	58.4	61.4	63.7	63.8	65.3	69.0	48.7	55.6	61.8	69.5
Percent Change - Year Ago	15.3	11.8	11.2	10.1	10.5	12.9	11.7	12.3	13.5	14.3	11.2	12.4
New Home Prices - Median (thousands of dollars)	65.8	67.6	69.2	70.9	72.9	75.3	77.7	80.2	55.7	64.1	72.1	81.6
Percent Change - Year Ago	15.7	15.0	14.0	13.4	10.8	11.3	12.1	13.1	13.9	15.0	12.3	13.3
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	8.5	10.5	6.1	3.8	3.5	4.6	8.9	10.0	11.7	9.1	6.2	7.6
Savings Rate (percent)	4.3	3.5	3.9	4.1	4.2	4.9	5.1	4.9	4.9	4.6	4.3	5.0
New Mortgage Commitments (billions of dollars)	139.1	127.0	92.9	77.8	89.3	112.4	135.1	153.4	136.3	129.9	93.1	151.7
Percent Change - Year Ago	8.1	-14.8	-23.4	-41.2	-35.8	-11.5	45.4	97.1	1.8	-4.7	-28.3	63.0
Mortgage Debt Outstanding (billions of dollars)	1,285	1,317	1,341	1,360	1,376	1,395	1,422	1,452	1,113	1,264	1,368	1,469
Money Supply (M2) (% change)	12.6	10.1	5.9	4.8	4.2	4.6	8.2	9.6	8.6	7.5	7.1	7.4
New Home Mortgage Commitment Rate (percent)	11.25	12.27	13.11	13.03	12.55	12.08	11.99	11.80	.9.69	11.23	12.69	11.82
AAA Corporate Bond Rate (percent)	9.29	10.53	10.49	10.46	10.35	10.26	10.16	10.15	8.72	9.63	10.39	10.22
Prime Rate (percent)	12.12	15.04	14.63	14.15	13.19	12.13	11.05	11.14	9.06	12.66	13.52	11.28
Federal Funds Rate (percent)	10.95	13.62	13.66	12.90	11.59	10.56	9.79	10.09	7.93	11.20	12.18	10.39

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) in 1980:4, increasing to $20 billion after 1981:1; a $10 billion rollback in scheduled social security taxes after 1981:1; and a $5 billion (annual rate) cut in corporate income taxes beginning 1980:4.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, Robert Boley, and Glenn Crellin.

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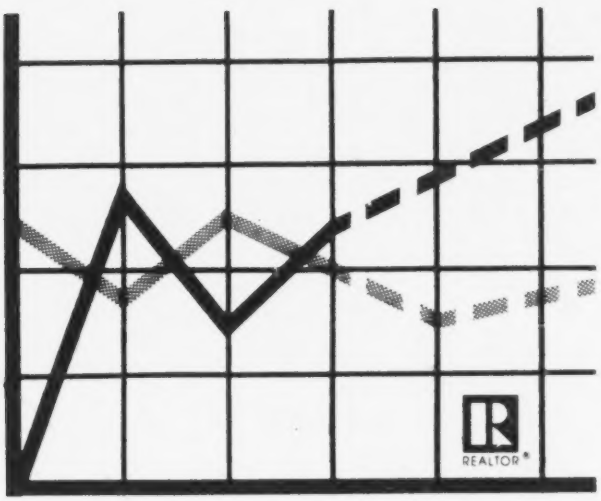
OUTLOOK FOR THE ECONOMY, REAL ESTATE AND ECONOMIC POLICIES



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Washington, D.C. 20005

February 1980

U.S. ECONOMIC OUTLOOK

Despite a marked weakening in several important areas of the economy, strong growth in consumer expenditure on nondurables and services continues to postpone the onset of the next recession. However, this growth in consumer purchases together with higher energy costs has been achieved through higher personal debt and a reduction in personal savings and with the savings rate falling to a record low 3.3% in the final 3 months of last year. Business investment in nonresidential structures and a strong export performance are also currently adding strength to the economy.

Most of these props to the economy can be expected to erode during the next six months, with overall output forecast to decline by 1.3%--a less than average recession--by the end of the summer. A modest recovery should begin in the latter part of the 1980 and continue into 1981, with improvements in consumer spending on housing and autos, business investment in equipment and government expenditures, particularly for defense.

The impact of higher authorizations for the military in 1981 on the economy is already beginning to be felt through an acceleration in business investment and hiring in defense industries. This in part can be expected to grow this year even though actual increases in Federal outlays will occur next year. Defense-motivated employment and investment will reduce the likelihood of an average recession and increase the likelihood of only a mild recession. Unfortunately, the defense build-up also causes some bidding up of salaries and wages of skilled workers and construction costs and thus helps to ensure double-digit inflation for both 1980 and 1981. The increase in defense spending, together with the massive boost to government spending in other areas in FY 1980 is likely to add over 1/2 a percentage point to the inflation rate over the next two years. Inflation can be expected to remain high throughout 1980 and at best drift down by only one percentage point by the end of the year.

Workers' wages have grown slower than both consumer prices and government taxes in the last year and workers can be expected to bargain for higher wage increases this year. Compensation is forecast to increase by 11 percent during 1980 and 1981 compared to 9 percent during 1979, while average output per hour is likely to decline even more during 1980 than in 1979. Both lower productivity growth and higher wages will cause labor costs for each unit of output to jump up by about 12.7% in 1980, up 2 1/2 percentage points from 1979.

The major cause of higher inflation since 1976, the lowest annual rate during the current economic cycle, is government. Nearly two-thirds of the increase in consumer prices from 4.8 percent during 1976 to 13.3 percent during 1979 was rapid growth of Federal spending resulting in inflationary Federal deficits; excessive expansion of money supply; and government regulations and legislaton mandating higher labor and nonlabor costs. About one-third was caused by OPEC (see Graph 1).

Residential, Commercial, and Industrial Real Estate

Sales of existing homes dropped 14% from an annual rate of 4.0 million units in October to 3.6% in November and 3.4% in December. Preliminary information in January indicates that the downtrend may have stopped and improvement may be occurring in spite of record high mortgage interest rates and continued restrictions on eligibility for mortgages. The ninety-day Federal override of restraining usury laws is part of the reason for improvement.

The median price of existing homes sold rose in December following November's fall and can be expected to increase further during 1980 and be 11% higher 12 months

from now. However, this increase in home prices will be 1 percentage point less than the increase in consumer prices over the period. This decline in the real median price means bargains for homebuyers in 1980 compared to waiting until 1981. Mortgage interest rates would have to decline by an unlikely 1 1/2 percentage points to offset the advantage of buying today instead of 12 months from now.

Housing starts dropped from 1.9 million units in September to 1.5 in December, a decline of about 20%. Further declines can be expected before the forecast improvement during the summer. Federally subsidized units are scheduled to increase modestly and replace some of the loss of private starts during this year. Government subsidized units could account for more than 50% of starts of multifamily structures during 1980. In addition, the government could make new commitments under the Emergency Housing Assistance Act (Brooke-Cranston) and provide subsidies of 100,000 or so additional units during 1980 and 1981.

Mortgage interest rates for new commitments are setting new records, 13 to 13 1/2 percent for 75% of the value of the median priced house. The monthly payment for principal and interest on the median priced home has risen from $357 to $447 or by 25% during the last 12 months. Two thirds of the increase was caused by higher mortgage interest rates and one third by higher housing prices. The higher mortgage interest rate is caused by inflationary deficit spending causing higher interest rates with the Federal Reserve Board standing alone in the fight against inflation. If government economic policies improve, housing sales and construction can markedly improve.

While commercial and industrial construction remained quite strong in the closing months of 1979, high interest rates and the economic slowdown will cause a decline in nonresidential construction through the middle of 1981 followed by a modest upturn in the latter part of next year.

President's Economic Outlook

At least once a year the Federal government is required to give a forecast of the economy. The 1980 and 1981 inflation forecast is provided in the following table as well as the past track record of Presidential forecasts. The President and his staff have consistently underestimated inflation and thus selected economic policies that failed to fight inflation. This consistent pattern is forecast to continue.

TABLE 1

THE ADMINISTRATION'S INFLATION FORECASTS
(Fourth Quarter to Fourth Quarter)

	1977	1978	1979	1980	1981
Inflation (Consumer Price Index)					
President Carter	6.0	6.5	7.5	10.4	8.6
Actual	7.0	9.0	13.2	12.3[1]/	11.2[1]/
Difference Carter and Actual	1.0	2.5	5.7	1.9[1]/	2.6[1]/

1/ NAR Forecast

Source: Economic and Budget Reports of the President, the Council of Economic Advisors and the Office of Management and Budget; forecasts of the NATIONAL ASSOCIATION OF REALTORS®.

FEDERAL ECONOMIC AND BUDGET POLICIES

The economic outlook is influenced by the economic policies of government; spending, taxing, size of deficit, regulations, and growth of money and the supply of credit. T..e President's proposed 1981 budget continues the Carter administration's pattern of excess growth in Federal spending financed by large deficits and inflation-induced increases in tax rates.

The 1981 budget calls for a $52 billion increase in outlays to a total of $615.8 billion. Most of these increases are for redistribution of income programs (up over 14%) and only one fifth for defense (up less at 12.2%). Following on the massive 14.2% increase in Federal outlays estimated for fiscal year 1980, the FY 1981 budget lifts the average growth in Federal spending under the current administration (FY 1977-FY 1981) to almost 11% compared to 8.4% growth in personal income per worker and 8.1% growth in profits.

Fiscal Year 1980 (October 1, 1979 to September 30, 1980)

The record $70 billion increase in spending for the current fiscal year is now nearly twice as much as the President proposed initially last January. When all outlays are considered, both on-budget and off-budget, Federal spending is expected to rise to 23.2% of all output or gross income (GNP) (see Table 2), the highest level in the peacetime history of the United States. The bulk of the increases are in the nondefense areas, especially in programs that redistribute income, create and enforce regulations and in all three branches of the government (up 24% for Congress, up 30% for the Federal Courts and up 14% for the Executive Branch).

The 14% plus growth in spending is so large as to exceed the increase in taxes, which are estimated to increase by 12.4% or by $775 per household, the second highest dollar increase in U.S. history. Thus, the President estimates the budget deficit will increase from $28 billion in FY 1979 to $40 billion. When "off-budget outlays" are included the Administration estimates the Total Deficit will climb from $40 to $57 billion, the highest deficit since President Carter assumed the Presidency in 1977. When more realistic estimates are made of both outlays and receipts, this deficit climbs still higher to $64 billion (see Table 2).

Fiscal Year 1981 (October 1, 1980 to September 30, 1981)

As if a new era is to occur when FY 1980 ends on September 30 and FY 1981 begins on October 1, 1980, the President proposes that Federal spending growth abruptly slow from 14.2% growth to 9.3%. This reflects overnight repentence of high-spending elected Federal officials concerned about elections in November 1980. The only way the President could even propose such an unlikely budget is to push spending back into 1980 and forward into FY 1982, propose selling of very large amounts of Federal government assets, including both financial and mineral resources, and propose cuts in programs that the Congress has already refused to cut for many years such as milk subsidies for school children and impact aid. It is more realistic to expect that the President and the Congress will expand the FY 1981 budget similar to the FY 1980 budget and the deficit could remain at the same high level, a budget deficit above $30 billion and a total deficit above $50 billion.

While Federal spending is likely to proceed unchecked, the FY 1981 budget ignores the pressing need for tax relief. The President proposes to increase Federal taxes by $76.2 billion or by 14.5%, equivalent to over $1,000 per household. Moreover, the President's estimates are likely to be low because inflation is likely to be higher than his usual optimistic forecast. Even by the President's estimates the Federal tax burden on the average household would double from $4,000 in FY 1976 to $8,000 estimated for FY 1981. It took 200 years to increase Federal taxes to $4,000 but only another 5 years to increase it $4,000 more.

Such huge increases in taxes have had and will have a depressing effect on investment in residential, commercial and industrial structures and equipment. Increasses in the share of Federal corporate profits from current production and declining profit margins have caused slow growth in investment, accompanied by declines in capital per worker and slow productivity growth. Consequently, workers incomes, after adjusting for inflation, have improved very little (Graphs 3, 4 and 5).

With more realistic estimates of taxes and outlays the total deficit could be $55 billion and be similar in size to the deficit in 1980 and 1977, President Carter's first year in office. It would be difficult for the President or the Congress to claim fiscal stringency during 1977 through proposed 1981. Moreover, the President rejects any alternative budget posture, including slower spending growth, slower growth in taxes, smaller deficits, or changes in the composition of either spending or taxing.

Monetary Policy

Only the Federal Reserve Board is attempting to fight inflation, after adding to inflationary growth of money supply during 1977-1979. However, without the help of fiscal policy, the Federal Reserve's efforts are causing record-level interest rates which in turn are crippling investment in housing and slowing investment in commercial and industrial structures and equipment. Clearly, loose fiscal policy and tight monetary policy are anti-housing and anti-investment and particularly hurt small business people. It also means that inflation will not come down very soon.

Regulatory Policy

The President's proposed 17% growth in regulatory authority budgets for FY 1977 through FY 1981 has resulted in more regulations which in turn have added to the costs and prices of consumer goods and services. The President's four-year 66% increase of nearly $2 billion is causing nearly 2 percentage points of the current and forecast inflation, equivalent to a loss of $500 in purchasing power for the average consumer. Moreover, many of these regulations, according to Prof. Paul MacAvoy, have no measurable benefits to consumers, workers or business people.

Policies Affecting Real Estate

The President proposes a smaller urban program of government-assisted housing in FY 1980 (Title VIII) and a somewhat larger program in FY 1981. In contrast, he proposes a somewhat larger rural program in 1980 but then shrinks it in 1981. He promises to unveil a new subsidy program for low-income borrowers in 1981.

The President proposes amending the Emergency Mortgage Purchase Assistance Act (Brooke-Cranston) so that it will be available if needed. No new commitments are anticipated in the Budget Accounts. Purchases under the old commitments are estimated at $1.2 billion in 1980 and $0.5 billion in 1981.

The Community Development Block Grant which provides flexible funds to communities is proposed at $3.9 billion for 1980 and 1 percent higher to $3.95 billion for 1981. The Urban Development Action Grant Program, which provides discretionary funds to spur investment in inner cities, remains level at $675 million for both 1980 and 1981.

The President proposes $2 million or a 50 percent increase in funds for investigating housing discrimination, earmarked for community housing resources boards and an additional 122 Federal employees would be added for HUD's in-house enforcement of fair housing.

The Administration proposes "simplification and consolidation of basic housing laws on mortgage insurance and mortgage credit activities of FHA and GNMA."

The small improvements in Federal housing programs are a drop in the bucket compared to the loss of new construction and sales caused by record-high mortgage interest rates and scarcity of construction money which is being caused by excessive Federal spending and deficits. The Government policies are hurting housing at least ten times more than the expected loss of output of all other goods and services. In fact, housing is being crippled during this mild recession more than five other more severe recessions during the last 30 years.

POLICY RECOMMENDATION

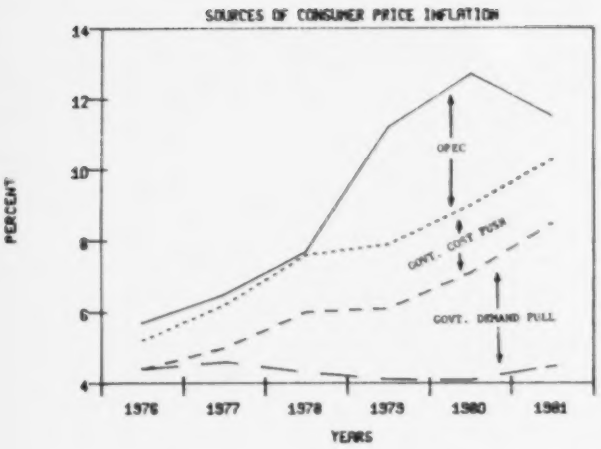
The appropriate economic policies to fight inflation and return to economic health are a slowing of Federal spending during the remainder of FY 1980 and FY 1981 and subsequent years, achieving a balanced budget in FY 1981 and beginning to slow the record growth of Federal taxes--including significant tax relief to encourage savings and investment in housing, commercial and industrial structures and equipment. The rate of inflation could be reduced significantly. The after tax income of all Americans would be higher in every future year.

TABLE 2

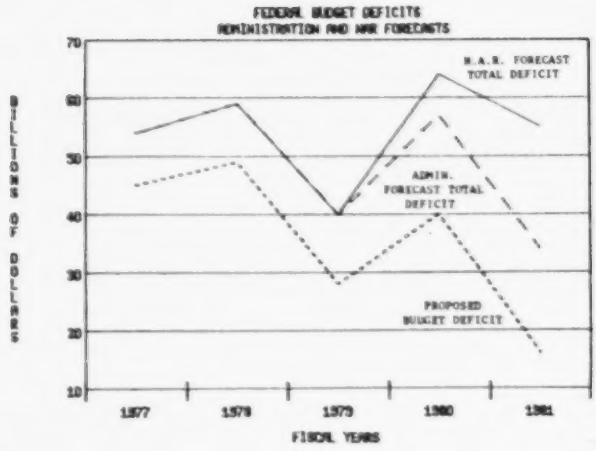
PRESIDENT'S PROPOSED BUDGET AND LIKELY ADJUSTMENTS

	1980	1981
Receipts (President)	524	600
Higher Inflation than Presidential Forecast	+5	+15
Unaccepted Proposals in Presidential Budget	-2	-5
Likely Total Receipts	527	610
Outlays (President)	564	616
Higher Outlays because of Higher Inflation	+5	+8
Unaccepted Outlay Cuts in Presidential Budget	+1	+5
Smaller Asset Sales	+2	+5
Underestimates of Congressional Nondefense Outlays	+2	+7
Higher Defense Outlays	--	+5
Off Budget Outlays	+17	+18
Likely Total Outlays	591	664
Likely Total Deficit (on & off budget)	-64	-55
Likely Budget Deficit	-47	-37
Likely Off Budget Deficit	-17	-18
President's Total Deficit (on & off budget)	-57	-34
President's Budget Deficit	-40	-16
President's Off Budget Deficit	-17	-18

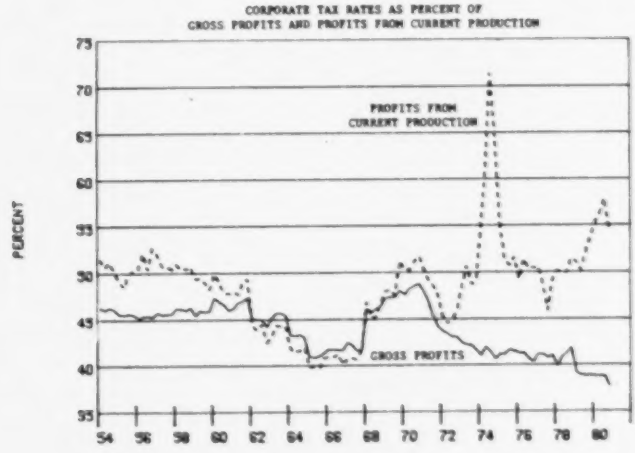
GRAPH 1



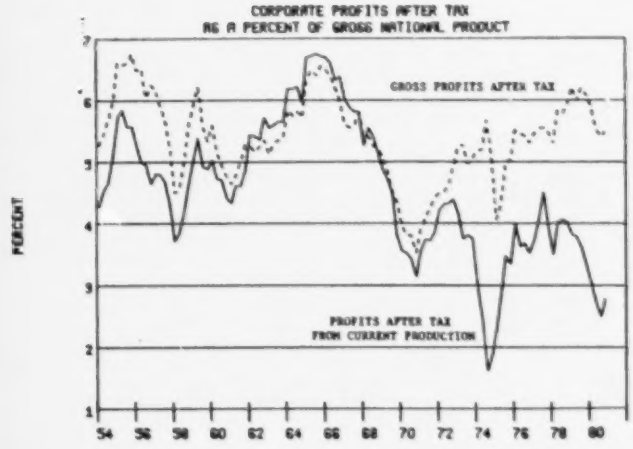
GRAPH 2



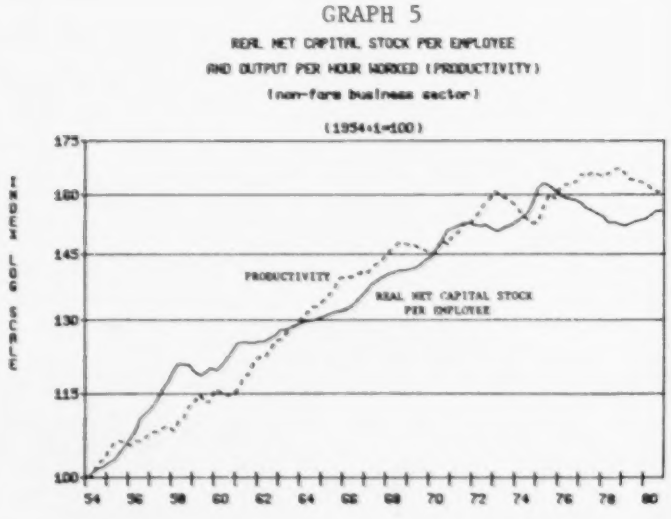
GRAPH 3


CORPORATE TAX RATES AS PERCENT OF
GROSS PROFITS AND PROFITS FROM CURRENT PRODUCTION
PERCENT
PROFITS FROM CURRENT PRODUCTION
GROSS PROFITS

GRAPH 4



GRAPH 5



OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

FEBRUARY 1980

	QUARTERS								YEARS			
	Actual		Forecast						Actual		Forecast	
	79:3	79:4	80:1	80:2	80:3	80:4	81:1	81:2	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,397	2,456	2,515	2,559	2,612	2,698	2,796	2,897	2,118	2,369	2,596	2,958
Percent Change	12.0	10.3	10.0	7.2	8.5	13.8	15.5	15.2	12.0	11.3	9.6	14.0
Percent Change (without inflation)	3.1	1.4	0.0	-3.2	-2.0	2.4	4.7	4.5	4.4	2.3	-0.2	2.9
Consumption	4.9	4.1	-0.3	-2.4	-1.3	1.8	2.3	3.8	4.5	2.6	0.6	2.2
Residential Investment	-1.4	-10.2	-24.8	-25.0	-3.4	12.7	24.0	25.1	4.2	-6.1	-13.7	14.1
Nonresidential Investment	10.8	-7.0	4.1	-3.4	-3.1	0.2	2.6	3.8	8.4	5.8	-0.1	1.5
Structures	7.1	4.9	-2.4	-5.2	-8.3	-7.3	-4.6	-0.5	12.2	9.1	-0.3	-4.0
Equipment	12.5	-12.1	7.5	-2.5	-0.5	4.0	6.0	5.8	6.7	4.2	0.0	4.1
Exports	23.2	5.7	2.4	-2.6	-0.8	4.2	5.8	5.5	10.6	10.0	3.7	4.0
Imports	-3.1	4.4	-4.7	-4.5	-3.5	4.3	5.5	6.5	11.1	4.2	-1.1	4.3
Government Purchases	1.0	4.8	4.1	-0.3	-0.7	0.2	2.7	1.9	1.8	0.3	1.7	1.4
Residential Investment (percent of GNP)	3.9	3.8	3.6	3.3	3.3	3.4	3.6	3.7	4.3	3.9	3.4	3.8
Nonresidential Structures Investment (percent of GNP)	3.4	3.4	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.3	3.3	3.1
Inventory Change (billions of dollars)	14.5	6.4	6.0	2.8	-3.8	-0.5	10.3	13.4	22.3	18.4	1.1	15.9
Mfg. Capacity Utilization Rate (percent)	85	85	84	82	80	80	81	82	84	86	82	83
Manufacturing Industrial Production (percent change)	0.6	-1.0	-0.4	-5.6	-4.8	2.9	8.6	8.6	6.1	4.4	-1.7	4.9
Employment (millions)	97.2	97.7	97.6	97.6	97.7	97.8	98.0	98.7	94.4	97.0	97.7	98.9
Unemployment Rate (percent)	5.8	5.9	6.3	6.7	7.0	7.3	7.5	7.3	6.0	5.8	6.8	7.4
Real Personal Income (% change)	2.0	1.6	-1.6	-0.5	1.5	2.8	3.6	3.8	5.0	2.8	0.4	3.2
Personal Income per Household (average)	25,577	26,228	26,874	27,548	28,356	29,232	30,135	31,082	22,766	25,292	28,002	31,688
Consumer Price Inflation (CPI)	12.9	12.8	12.8	12.0	12.8	11.7	11.0	10.7	7.7	11.2	12.7	11.5
Producers Price Inflation (WPI)	13.7	15.7	18.1	14.0	14.0	14.1	13.2	12.9	7.8	12.5	13.0	11.5
Gross National Product Inflation (GNP Deflator)	8.5	8.7	9.9	10.7	10.8	11.2	10.3	10.3	7.3	8.9	9.1	10.7
Residential Construction Inflation	13.7	9.0	10.9	11.4	13.4	14.6	13.6	13.8	13.1	12.5	11.7	13.9
Nonresidential Construction Inflation	13.5	11.1	10.9	11.8	13.2	13.7	12.9	13.3	8.8	10.6	11.8	13.4
Compensation per Manhour (percent change)	8.4	8.8	12.5	11.8	11.9	12.3	10.7	12.4	8.5	8.9	10.8	12.2
Productivity (percent change)	-0.7	-1.0	-1.1	-3.1	-2.3	0.6	1.6	1.3	0.5	-1.1	-1.6	0.6
Unit Labor Cost (percent change)	9.4	9.8	13.7	15.4	14.6	11.7	9.0	11.0	8.0	10.2	12.6	11.5
Before Tax Corporate Profits (billions of dollars)	242	244	242	233	230	237	254	262	206	237	236	268
Corporate Tax Liability	94	95	94	90	89	90	96	99	85	92	91	101
After Tax Profits	148	149	148	142	141	148	158	163	122	145	145	167
Inventory Valuation Adjustment	-44	-47	-52	-51	-52	-52	-52	-54	-25	-42	-52	-57
Capital Consumption Adjustment	-18	-20	-20	-22	-24	-21	-23	-25	-13	-17	-22	-27
Profits from Current Production	87	82	76	70	65	75	83	83	83	86	72	83
Adjusted for Inflation (79:3 base)	87	81	73	65	59	66	71	70	91	87	66	69
Percent Change - Year Ago	-9.4	-15.7	-20.4	-27.4	-31.6	-17.9	-1.9	7.9	0.2	-4.6	-24.4	5.2
Per Unit of Output (percent of GNP)	3.6	3.4	3.0	2.7	2.5	2.8	3.0	2.9	3.9	3.6	2.8	2.8
Effective Corporate Tax Rate (percent)	52	54	55	56	58	54	54	54	50	52	56	55
Federal Tax Receipts (NIA basis)	505	523	532	540	552	559	587	613	432	497	546	628
Federal Expenditures (NIA basis)	516	536	556	570	595	615	630	646	460	508	584	660
Surplus or Deficit (NIA basis) <1>	-11	-13	-24	-30	-42	-56	-43	-33	-28	-11	-38	-33
HOUSING MARKETS												
Existing Single-Family Home Sales (thousands)	3,877	3,657	3,493	3,475	3,521	3,552	3,689	3,896	3,905	3,747	3,510	3,915
Percent Change - Year Ago	-2.0	-11.2	-4.6	-6.8	-9.2	-2.9	5.6	12.1	9.3	-4.0	-6.3	11.5
Dollar Volume (billions)	257.3	237.7	230.4	249.7	267.2	257.8	276.8	313.9	216.7	238.9	251.3	314.9
New Single-Family Home Sales (thousands)	749	635	624	614	632	700	711	729	817	710	643	758
Percent Change - Year Ago	-6.5	-24.0	-16.9	-13.1	-15.6	10.3	13.9	18.9	-0.5	-13.0	-9.5	18.0
Private Housing Starts (thousands)	1,834	1,604	1,428	1,330	1,466	1,577	1,707	1,819	2,020	1,742	1,450	1,860
Single-Family	1,238	1,072	952	916	990	1,056	1,135	1,216	1,433	1,193	978	1,246
Multi-Family	596	533	476	414	477	521	572	603	587	549	472	614
Subsidized	225	215	225	240	255	255	270	275	145	219	246	270
Mobile Home Shipments (thousands)	276	270	246	226	231	232	240	251	278	276	234	252
Housing Inventory (millions)	82.9	83.3	83.5	83.7	83.9	84.2	84.4	84.7	81.4	82.8	83.8	84.8
Rental Vacancy Rate (percent)	5.2	5.2	4.8	5.1	5.2	5.2	5.2	5.2	5.0	5.1	5.1	5.2
Unsold New Homes (percent of sales)	56.7	65.4	66.2	69.9	70.6	71.2	69.7	67.0	50.1	58.9	69.5	67.3
Existing Home Prices - Median (thousands of dollars)	57.6	56.1	58.1	62.4	64.4	62.0	64.6	69.7	48.7	55.6	61.7	69.6
Percent Change - Year Ago	15.3	10.9	10.5	11.8	11.7	10.5	11.2	11.7	13.5	14.3	11.1	12.8
New Home Prices - Median (thousands of dollars)	65.5	63.4	65.8	68.5	72.9	73.6	74.1	77.0	55.7	63.0	70.2	79.6
Percent Change - Year Ago	15.3	7.8	8.3	9.7	11.2	16.1	12.7	12.3	13.9	13.0	11.4	13.3
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	8.4	11.1	6.3	3.6	3.7	5.9	8.2	8.8	11.7	9.4	6.4	7.2
Savings Rate (percent)	4.3	3.3	3.5	4.0	4.7	5.3	5.6	5.4	4.9	4.5	4.4	5.4
New Mortgage Commitments (billions of dollars)	135.2	117.1	98.4	90.1	102.3	115.3	134.1	145.4	136.0	126.1	101.5	139.5
Percent Change - Year Ago	5.1	-21.0	-17.9	-31.9	-24.3	-1.5	36.3	61.3	1.6	-7.3	-19.5	37.4
Mortgage Debt Outstanding (billions of dollars)	1,295	1,335	1,372	1,391	1,405	1,419	1,439	1,464	1,113	1,272	1,397	1,478
Money Supply (M2) (% change)	12.5	9.2	7.1	4.9	4.6	6.2	7.5	7.4	8.6	8.0	7.4	6.9
New Home Mortgage Commitment Rate (percent)	11.25	12.50	13.11	13.03	12.75	12.48	12.19	12.05	9.69	11.29	12.84	12.07
AAA Corporate Bond Rate (percent)	9.29	10.54	10.98	10.91	10.77	10.72	10.63	10.55	8.72	9.63	10.85	10.66
Prime Rate (percent)	12.12	15.08	15.01	14.29	13.30	12.54	12.01	11.99	9.06	12.67	13.79	12.23
Federal Funds Rate (percent)	10.95	13.58	13.54	12.38	11.46	10.66	10.23	10.66	7.93	11.19	12.01	10.93

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) beginning in 1980:4; a $10 billion rollback in scheduled social security taxes after 1981:1; and a $5 billion (annual rate) cut in corporate income taxes beginning 1980:4.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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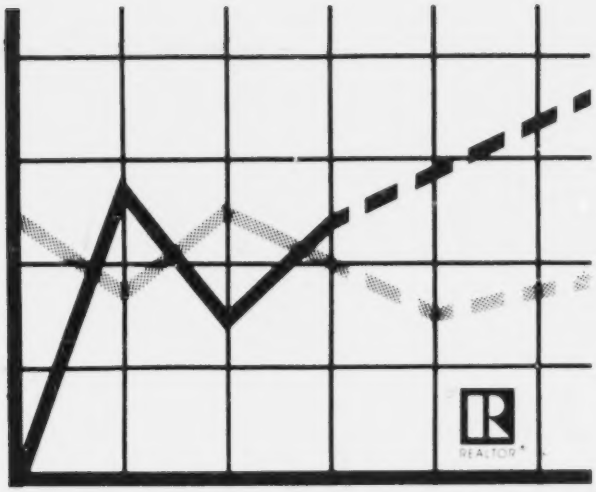
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



BY

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U.S. ECONOMIC OUTLOOK

Inflation accelerated in January to a compound annual rate of 18 percent for consumer prices and 21 percent for producers' finished goods. The Federal Reserve Board reacted by raising the discount rate, causing both short and long run rates to increase by a full percentage point or more. Because of higher interest rates, there is a less optimistic outlook for the economy for the remainder of 1980.

The acceleration of inflation has shown the inadequacy of the current mix of fiscal and monetary policies--tight credit with loose Federal spending. The quickening of Federal spending has added to fears that government policy is adding to inflationary pressures and not fighting them. The current futile attempt of the Federal Reserve Board to fight inflation is crippling investment without reducing inflation which is being caused in part by higher Federal spending and deficits.

Consumers continue to squeeze savings to record lows in order to maintain spending levels. Expenditures for non-durable goods and, particularly, services, continue to increase even after adjusting for inflation. Exports are growing faster than imports, also helping buoy the economy.

However, there is reason to expect that the delayed and well-advertised recession may occur during the second and third quarters of this year as investment slows further and the savings rate moves toward normal levels. The unemployment rate is likely to rise to almost 7 1/2 percent and output is likely to decline by 1.4 percent, making the recession mild in comparison with the other six recessions of the post-war period.

The continued moderate growth of employment and the slowing of output has led to a decline in productivity over the last year. In addition, wage increases are forecast to surpass last year's growth rate during both 1980 and 1981. The combination of continued lower productivity growth, higher wage increases and growth in social security taxes will cause labor costs to increase at record rates over the next two years.

Investment is slowing and can be expected to decline by 8 percent during the remainder of 1980 and for most of 1981. Housing starts have already declined by over 30 percent during the last year and will be followed by downturns in investment in commercial and industrial structures and equipment.

The decline in sales and production of housing expected during the coming economic downturn will not be as large as during the disastrous 1974-75 recession (the worst in the post-war period). However, compared to the decline in sales expected in other areas of the economy, the 1980 housing downturn will be even more severe, indicating the disproportionate impact current Federal economic policies are having on the housing sector.

The Joint Economic Committee of the Congress has issued a report nearly unanimous in calling for tax relief to stimulate investment throughout the 1980's. The longer run perspective of the report ignores the additional need to slow Federal spending growth now to reduce inflationary pressures in 1980

and 1981. If spending growth were 2 percentage points slower for the remainder of this year and FY 1981, the Federal government could achieve a balanced budget during 1981. If tax relief were also provided to stimulate savings and investment, starting in 1981, both inflation and the American standard of living would be improved. Consumer prices would fall by more than 3 percent and spendable income per average household would be boosted by over $800 or 3 percent by the mid-1980's. New housing starts would be nearly 400,000 units per year higher and sales of existing homes would be about 1,000,000 units per year higher.

While the modest tax relief to encourage savings, which will be part of the "windfall profits" tax bill, is a step in the right direction, even larger tax incentives for savers, together with added investment incentives are needed to further decrease inflation and boost living standards.

A Presidential candidate has proposed, and other candidates have flirted with, wage, price, rent, and credit controls. The President has adamantly refused to move towards mandatory controls--an appropriate position based on the causes of inflation. Even those who advocate controls do not believe that they could work when the problem is caused by deficit spending and OPEC-created oil price increases. To impose controls would be to increase the likelihood of inflation once controls are lifted, lower output and investment, and decrease employment.

Price controls would be particularly damaging to the rental housing sector. Rents have grown at only three-quarters of the rate of overall consumer prices and operating costs of rental units over the last 10 years. The inadequacy of the growth of rents has been cited by the General Accounting Office as the primary reason for the already observable shortage of apartments and for the potentially greater shortage of rental units during the decade of the 1980's.

Real Estate Outlook

The record 14 percent average mortgage interest rate on most new commitments is adding to stress in the real estate market. Sales of existing single family homes have declined from 4 million in September to 3.2 million in January, a drop of 20 percent. Some improvement is expected by mid-year, with sales expected to average 3.34 million units this year, down 10.5 percent from 1979. Similarly, new housing starts have slowed from 1.8 million last fall to 1.4 million in January. Starts can be expected to dip lower during the next few months before improvement occurs late in the year, averaging 1.35 million units for the year. A further improvement in starts to 1.7 million units is forecast for 1981.

The average monthly payment of principal and interest on the median-priced home has increased by 33 percent in the last 12 months. Fortunately, the modest expected increase in housing prices in 1980 (11 percent compared to a forecast 14 percent in consumer prices) and a slight reduction in the interest rate could mean a smaller increase in typical principal and interest payments over the next 12 months.

Congress will likely extend the Federal preemption of the state usury laws for two more years. If it does not, and states fail to lift their own archaic laws, housing starts would decline by 140,000 units and existing home sales would drop by 250,000 in those 23 states with ceilings below market mortgage rates.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

MARCH 1980

	QUARTERS								YEARS			
	Actual	Forecast							Actual		Forecast	
	79:4	80:1	80:2	80:3	80:4	81:1	81:2	81:3	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,459	2,526	2,579	2,628	2,709	2,807	2,907	3,019	2,128	2,369	2,611	2,969
Percent Change	10.9	11.3	8.6	7.9	12.9	15.2	15.2	16.3	12.0	11.4	10.2	13.7
Percent Change (without inflation)	2.1	0.7	-2.6	-3.3	0.9	3.3	3.8	4.8	4.4	2.3	-0.1	2.0
Consumption	4.4	0.1	-1.4	-2.0	1.6	2.7	3.1	4.4	4.5	2.7	0.8	2.0
Residential Investment	-4.2	-27.1	-27.0	-16.2	1.5	19.9	24.1	29.3	4.2	-5.7	-15.8	9.7
Nonresidential Investment	-2.4	-0.1	-3.8	-6.0	-1.7	-0.2	2.4	3.9	8.4	6.1	-0.8	-0.1
Structures	12.8	-5.2	-7.0	-10.5	-10.0	-4.7	-1.4	2.8	12.2	9.7	-0.6	-4.6
Equipment	-8.9	2.6	-2.2	-3.8	2.5	2.0	4.1	4.4	6.7	4.4	-1.0	2.1
Exports	8.1	2.0	0.8	1.0	3.6	2.8	4.6	6.0	10.6	10.1	4.9	3.5
Imports	11.0	-6.3	-2.8	1.6	3.7	6.4	5.9	7.0	11.1	4.6	0.5	4.6
Government Purchases	5.7	4.7	-0.6	-1.4	-0.1	1.9	1.2	1.7	1.8	0.4	1.8	0.7
Residential Investment (percent of GNP)	3.9	3.6	3.3	3.2	3.2	3.3	3.5	3.7	4.3	4.0	3.3	3.6
Nonresidential Structures Investment (percent of GNP)	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.4	3.3	3.1
Inventory Change (billions of dollars)	6.7	8.8	4.1	-0.5	-1.9	3.8	7.8	9.7	22.3	18.4	2.6	9.3
Mfg. Capacity Utilization Rate (percent)	85	83	81	79	79	79	81	82	84	86	81	81
Manufacturing Industrial Production (percent change)	-0.9	-3.8	-5.0	-8.2	0.0	8.1	8.7	9.7	6.1	4.4	-3.1	3.9
Employment (millions)	97.7	97.7	97.7	97.8	97.9	98.1	98.6	99.2	94.6	96.9	97.8	98.9
Unemployment Rate (percent)	5.9	6.2	6.6	6.9	7.2	7.4	7.4	7.4	6.0	5.8	6.7	7.4
Real Disposable Income per Household (% change)	-0.3	-1.4	-1.2	-0.8	4.3	0.3	2.0	3.4	3.8	1.5	-0.7	1.7
Disposable Income per Household (average)	26,262	26,879	27,615	28,376	29,189	30,062	31,047	32,158	22,366	25,300	28,015	31,635
Total Taxes per Household (average)	11,749	11,910	12,114	12,325	12,437	13,044	13,505	14,012	10,114	11,216	12,196	13,776
Percent Change	14.4	5.6	7.0	7.2	3.7	21.0	14.9	15.9	12.3	10.9	8.7	13.0
Consumer Price Inflation (CPI)	13.2	15.0	14.8	13.6	12.7	13.1	12.7	12.6	7.7	11.2	14.0	13.0
Producers Price Inflation (WPI)	16.3	21.7	17.0	16.3	15.3	14.7	14.3	14.4	7.8	12.5	17.4	15.0
Gross National Product Inflation (GNP Deflator)	8.7	10.6	11.7	11.6	12.0	11.5	10.9	11.0	7.3	8.9	10.3	11.5
Residential Construction Inflation	6.1	11.2	10.0	11.0	12.1	14.5	14.9	15.0	13.1	12.3	10.5	13.5
Nonresidential Construction Inflation	10.0	12.2	11.1	11.3	11.4	13.1	13.9	14.3	8.8	10.5	11.3	12.8
Compensation per Manhour (percent change)	8.9	12.3	12.4	13.0	13.3	15.7	12.4	13.1	8.0	8.9	11.1	13.6
Productivity (percent change)	-0.4	-2.0	-3.1	-3.0	0.1	1.1	1.2	1.8	0.5	-1.2	-2.0	0.3
Unit Labor Cost (percent change)	9.3	14.6	16.0	16.5	13.1	14.4	11.1	11.0	8.0	10.3	13.3	13.2
Before Tax Corporate Profits (billions of dollars)	248	242	236	227	228	233	246	262	206	238	233	255
Corporate Tax Liability	99	96	93	90	90	90	95	101	85	93	92	98
After Tax Profits	150	146	142	137	138	143	151	161	122	145	141	156
Inventory Valuation Adjustment	-47	-51	-50	-51	-49	-52	-54	-58	-25	-42	-50	-56
Capital Consumption Adjustment	-20	-20	-22	-23	-25	-23	-26	-29	-13	-17	-23	-27
Profits from Current Production	83	75	70	63	63	68	71	75	83	86	68	73
Adjusted for Inflation (79:4 base)	83	73	67	58	57	59	61	62	93	89	64	61
Percent Change - Year Ago	-15.3	-22.1	-27.2	-34.5	-31.4	-18.3	-9.4	4.5	0.2	-4.5	-28.7	-3.6
Per Unit of Output (percent of GNP)	3.4	2.9	2.7	2.4	2.3	2.4	2.4	2.5	3.9	3.6	2.6	2.5
Effective Corporate Tax Rate (percent)	54	56	57	58	59	57	57	58	50	52	58	57
Federal Tax Receipts (NIA basis)	527	537	547	558	559	596	622	649	482	498	550	636
Federal Expenditures (NIA basis)	539	556	576	602	624	638	652	676	480	509	590	666
Surplus or Deficit (NIA basis) <1>	-13	-19	-29	-44	-65	-42	-30	-27	-28	-11	-39	-29
REAL ESTATE MARKETS												
Existing Single-Family Home Sales (thousands)	3,657	3,132	3,307	3,435	3,518	3,704	3,952	4,094	3,905	3,747	3,348	3,982
Percent Change - Year Ago	-11.2	-14.4	-11.3	-11.4	-3.8	18.3	19.5	19.2	9.3	-4.0	-10.2	19.0
Dollar Volume (billions)	237.7	209.4	238.3	255.6	263.2	282.9	321.2	346.0	216.7	235.4	241.1	325.9
New Single-Family Home Sales (thousands)	614	560	546	617	701	743	760	788	817	712	606	773
Percent Change - Year Ago	-26.5	-25.4	-22.6	-17.4	14.2	32.5	39.2	27.7	-0.5	-13.7	-14.0	27.5
Private Housing Starts (thousands)	1,583	1,436	1,293	1,308	1,397	1,543	1,639	1,793	2,020	1,743	1,358	1,710
Single-Family	1,052	999	932	942	996	1,087	1,196	1,321	1,433	1,193	967	1,248
Multi-Family	531	437	361	365	402	455	443	472	587	550	391	462
Subsidized	215	225	240	255	265	270	275	270	145	219	246	270
Mobile Home Shipments (thousands)	262	239	207	192	194	202	199	207	278	274	208	204
Housing Inventory (millions)	83.3	83.5	83.7	83.9	84.1	84.3	84.5	84.8	81.4	82.8	83.8	84.7
Rental Vacancy Rate (percent)	5.0	4.6	4.8	5.1	5.2	5.2	5.2	5.2	5.0	5.0	4.9	5.2
Unsold New Homes (percent of sales)	67.6	69.4	75.2	79.4	79.3	77.1	72.2	69.8	50.1	59.5	75.9	72.0
Office Vacancy Rate (percent)<2>	3.6	3.3	3.4	3.6	3.8	4.0	4.2	4.3	6.5	4.4	3.5	4.2
Industrial Vacancy Rate (percent)<2>	3.5	3.8	4.2	4.6	4.5	4.0	3.7	3.5	2.8	3.0	4.3	3.6
Existing Home Prices - Median (thousands of dollars)	56.1	57.6	61.5	63.9	64.2	65.5	69.7	72.5	48.7	55.7	61.8	70.0
Percent Change - Year Ago	11.0	9.5	10.1	10.9	14.3	13.7	13.4	13.4	13.5	14.4	11.3	13.3
New Home Prices - Median (thousands of dollars)	62.4	66.2	68.5	72.0	72.4	74.6	77.5	80.4	55.7	62.9	69.8	78.5
Percent Change - Year Ago	6.2	9.0	9.6	9.9	16.0	12.7	13.1	11.7	14.1	12.9	11.1	12.9
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	11.1	4.9	3.0	2.1	3.7	5.9	7.2	8.2	11.7	9.4	5.6	5.6
Savings Rate (percent)	3.4	3.3	3.5	4.1	4.9	4.6	4.6	4.6	4.9	4.5	4.0	4.6
New Mortgage Commitments (billions of dollars)	117.1	96.9	85.2	95.6	107.8	123.3	133.8	145.2	136.0	126.1	96.4	139.8
Percent Change - Year Ago	-21.0	-19.2	-35.6	-29.3	-7.9	27.2	57.0	51.9	1.6	-7.3	-23.6	45.1
Mortgage Debt Outstanding (billions of dollars)	1,335	1,349	1,355	1,360	1,367	1,379	1,394	1,414	1,113	1,272	1,358	1,405
Money Supply (M2) (% change)	9.2	5.6	5.0	3.4	5.1	6.9	7.1	7.9	8.6	8.0	6.9	6.3
New Home Mortgage Commitment Rate (percent)	12.27	13.61	14.23	13.85	13.58	13.29	13.10	12.98	9.69	11.23	13.82	13.03
AAA Corporate Bond Rate (percent)	10.54	11.37	11.85	11.86	11.86	11.78	11.75	11.88	8.72	9.63	11.74	11.86
Prime Rate (percent)	15.08	16.14	16.56	15.81	14.76	13.90	12.84	12.86	9.06	12.67	15.82	13.16
Federal Funds Rate (percent)	13.58	16.01	15.67	15.24	14.35	13.62	13.13	13.57	7.93	11.19	15.32	13.52

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) beginning in 1980:4 and a $5 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.